

Our number one goal is to deliver on our promise to fix Standard Commercial Lines. The losses in this business penalized our 1999 earnings by \$1.60 a share, and you don't have to be a math genius to calculate the impact of these losses on our stock price. You and I have been working very hard for more than a year to fix this business, and we have made some nice progress, but our major shareholders have become impatient. They are demanding that we exit this business if we can't fix it in a hurry. We have told them that meaningful improvement will be forthcoming in the second half of this year. At the last earnings conference call with analysts, we set the goal: a combined ratio run rate of 110 by year-end for Standard Commercial Lines. We have a solid program in place to increase rates and weed out the least profitable accounts. We all need to support this effort vigorously and do our part to ensure successful implementation. I truly believe that if we are forced to exit the business, our long-term future will be compromised. On the other hand, many of our larger shareholders do not share the long-term view we have of the business, and if we ignore their wishes, our stock price will suffer and our independence will be in jeopardy. (If any of this sounds like déjà vu, it's because of its similarity to the situation we faced some years ago with our life insurance business.)

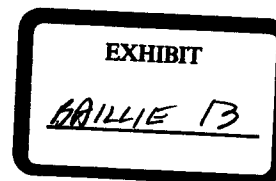
Failure to fix or exit the Standard Commercial business would result in these shareholders unloading our stock, depressing Chubb's market value still further and making us very vulnerable to being taken over at a bargain-basement price. Armed with the financial advantage of a fire-sale purchase, the acquirer would have the choice of operating it or selling it, but in either case you may be sure he will do so with little regard for the effect of his actions on the lives of our employees.

Our second priority is to keep improving the two-thirds of our business that is doing well. Growth and profitability in Personal Lines and Specialty Commercial Lines are key to our future. We have terrific people and great products; let's find new ways to leverage them to boost both revenue and earnings from these outstanding businesses.

Our third priority is to keep expenses under control. In today's environment where our revenue growth is clearly affected by the pace with which the overall market hardens, the job of expense control becomes particularly difficult. If we increase expenses by making wise investments for future growth and the market doesn't firm, we are then in trouble and can recover only through draconian moves. Our challenge at the moment is to gear expense growth as closely as possible to revenues. You know better than anyone what can be done in your area. I am counting on you.

Please accept my thanks for all of your efforts and accomplishments during 1999. I encourage you to keep focused on meeting our objectives so we can continue to reap the rewards of working for a successful company. Best wishes for a successful 2000.

Sincerely,

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